



31<sup>st</sup> October 2018

**ASX RELEASE**

**Chairman's Address and Managing Director's Address**

In accordance with ASX Listing Rule 3.13.3, attached is a copy of the Chairman's Address which will be presented at the Annual General Meeting commencing at 11am (Brisbane time). The Managing Director's address will be presented at the same meeting and a copy of that address will follow this announcement.

**CHAIRMAN'S ADDRESS**

We are here today for CTM's AGM and to properly transact the business of the AGM.

However, it is important that we first talk to you about the report prepared by VGI Partners and our response to it.

This morning, the Board issued a comprehensive response to the report.

VGI Partners holds a substantial short position in CTM and can only profit from its investment if there is a decline in the Company's share price.

On the afternoon of Sunday 28 October, we became aware via the media that VGI had started circulating a 176-page report on the Company that purported to identify 20 concerns in relation to the business. At no time has VGI shared this report with the Company or offered to discuss its contents. It is our understanding that this is a private and confidential report prepared for the benefit of VGI's members.

In the interest of our shareholders and to ensure that the market could only trade in our shares on a fully informed basis, the Board requested a Trading Halt before the market opened on Monday morning. This allowed us to undertake a detailed review of the report. The Board has treated the review of VGI's claims seriously and given it the highest priority including seeking advice from its corporate and legal advisers.

The Board acknowledges two issues, one of which relates to the need for the Company to keep its website updated with its office locations. The second relates to not using the term 'patented' in relation to its proprietary technology.

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In the Board's opinion, the rest of the report either misunderstands or misrepresents the Company's financial performance, governance and business model. The detailed response issued by us this morning comprehensively addresses all of VGI's issues.

I do not propose to address all 20 issues now but would like to talk to a few of the more fundamental issues.

The Company rejects the claim that a change to revenue recognition policy made a material difference to FY18 earnings. There is no material impact from the policy change, which led to a \$0.5m adjustment, representing a 0.4% contribution to FY18 EBITDA.

The Company rejects the claim that the growth of receivables in FY18 was a result of the change in revenue recognition policy. It was predominantly due to strong growth in TTV (Total Transaction Value) and timing differences in the working capital cycle.

The Company rejects the claim that a decline in 2H18 cashflows indicates poor revenue quality. The movements in cash payments are primarily timing differences. Over time, CTM has consistently delivered at or near 100% cash conversion.

The Company rejects the claim that client cash balances appear very low when compared to peers. The cash balances and associated interest income of a corporate travel company are typically lower than a leisure dominant business, which has a different business model.

The VGI report dedicates 58 pages to alleging that CTM's global office footprint is overstated. The Company rejects this claim. CTM has a clear strategy to establish a global footprint and generate scale, but is not intending to do this by building a costly and less productive small office 'bricks and mortar' empire.

As the Company has completed its review of the VGI report, the Board has this morning approached VGI Partners seeking a meeting to explain the Company's response and ask that the report be corrected or withdrawn. WE have not yet had a response from VGI.

A few final observations from me on this issue.

VGI has been very clear about its intention to benefit from a decline in the Company's share price.

The Board is concerned about the potential impact on shareholders from VGI making claims that, in our view, are not supported by the facts.

The timing of this report is unfortunate because it does not take into account the Company's excellent performance record and continued successful execution of strategy. The Company is in great financial shape.

## About CTM

CTM is an award-winning provider of innovative and cost-effective travel management solutions to the corporate market. Its proven business strategy combines personalised service excellence with client facing technology solutions to deliver a return on investment to clients. Headquartered in Australia, the company employs approximately 2,750 FTE staff globally, and provides local services solutions to clients in more than 70 countries.

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